

Internal Revenue Service  
District Director

Department of the Treasury

[REDACTED]

Date: OCT 13 1995

Person to Contact:

Contact Telephone Number:

Refer Reply to:

Employer Identification  
Number:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(6) of the Internal Revenue Code.

The evidence presented shows that your organization was formed [REDACTED] in the State of [REDACTED] for the purpose of establishing a professional association of mental health service providers, to provide charitable and educational services, and to engage in other activities not inconsistent with [REDACTED] law.

The information submitted with your application form 1024 states that your activities are as follows:

The corporation exists to provide comprehensive mental health and substance abuse services through the services (e.g. psychotherapy, medication consultation, alcohol education) of its member-providers to the [REDACTED] community. These services will be delivered when either 1) an individual requests such services from the corporation or 2) an entity (e.g. managed care company, insurer or employer) contracts with the corporation to have it provide such services. To date no transaction has taken place.

The corporation intends to provide the necessary administrative support (e.g. billing, informational services) for the members as they fulfill such contracts as indicated above. These administrative services will be provided by either 1) an employee hired by the corporation or 2) contracted out to another entity (e.g. having billing done by another corporation). To date our administrative tasks have been paid to an administrative assistant hired on a per hour basis as needed.

The corporation also intends to provide substantial and regular educational support to its members and the community it serves. This will be accomplished through various means including peer advisory groups for the discussion of individual cases.

conferences and workshops on areas of interest concerning treatment and diagnosis of emotional and substance abuse disorders.

The corporation will also provide its own internal system for overseeing the course of treatment of consumers - known as utilization review.

The organization lists its sources of income as deriving from donations and from membership fees charged to each member. Future sources of support (as stated) will come from a percentage of the billed services provided by the members. The rate has not been determined and may vary contract to contract. The contracts will presumably be with the types of entities mentioned above (e.g. insurers, employers, managed care companies).

Disbursements to date are stated to have been for office supplies, secretarial services, meeting expenses and miscellaneous charges and fees.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

An IRC 501(c)(6) organization's primary activity cannot be performing particular services for members.

The activities of a business league must be directed to the improvement of one or more lines of business. Whether or not activities of a business league actually lead to real and permanent improvement of business conditions is immaterial as long as reasonably prudent businessmen believe they will improve business conditions.

In the following situations, exemption was denied because the activities were found to constitute the performance of particular services for individual persons:

1. A nurses association which maintains an employment register primarily for the employment of members is not exempt as it is the kind of business ordinarily carried on for profit and it is engaged in rendering particular services for individual persons rather than promoting the general business conditions of the nursing profession. (Rev. Rul. 55-656, 1955-2 C.B. 262).

2. An organization whose principal activity is to provide a telephone answering service to distribute calls for towing service on a rotational basis to its members who are truck owners and operators does not qualify for exemption. (Rev. Rul. 74-308, 1974-2 C.B. 168).

3. A real estate board whose primary purpose or activity is the operation of a multiple listing system is considered to be rendering particular services for its members. (Rev. Rul. 59-234, 1959-2 C.B. 149).

Your organization is similar to the above Revenue Rulings in that your organization provides services to members as distinguished from activities directed toward the improvement of business conditions in one or more lines of business within the meaning of section 1.501(c)(6)-1 of the Income Tax Regulations.

Thus, services for members serves as a convenience and economy to members in the conduct of their individual businesses.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(6) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

  
District Director

Enclosure: Publication 892